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Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 R

DRAFTED BY ARA/CEN/CR:JGSULLIVAN:HLB
APPROVED BY ARA:WGBOWDLER
SEC - VON STEIN (PHONE)
SEC - MARVIN JACOB (DRAFT)
L/M/SCA - K.MALMBORG (PHONE)
S/S-O:R.ELTZ
ARA/CEN:DLAZAR
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O 310127Z AUG 74 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY SAN JOSE NIACT IMMEDIATE

C O N F I D E N T I A L STATE 192370

EXDIS

E.O. 11652: GDS
TAGS: PFOR, CS, OVIP
SUBJECT: ODUBER BRIEFING ON VESCO
REFS: A) SAN JOSE 0493, B) SAN JOSE 0508

1. IN ACCORDANCE WITH FEBRUARY BRIEFING OF THEN PRESIDENT-ELECT ODUBER, CHARGE IS AUTHORIZED TO ARRANGE APPOINTMENT WITH PRESIDENT ODUBER NOT EARLIER THAN MONDAY, SEPT. 2, TO REVEAL VERBALLY FOLLOWING INFORMATION ON CONFIDENTIAL BASIS IN ADVANCE OF US COURT FILING. THE SECURITIES AND EXCHANGE COMMISSION ON SEPT. 3 WILL BRING CIVIL SUIT AGAINST CAPITAL GROWTH COMPANY, S.A., OF COSTA RICA, CAPITAL GROWTH COMPANY, S.A. OF PANAMA, NEW PROVIDENCE SECURITIES, LTD, S.A. SHEFFIELD ADVISORY COMPANY, SHEFFIELD ADVISORY COMPANY, S.A., EHG ENTERPRISES, INC., CLOVIS W. MCALPIN, SANFORD C. SHULTES, ARIEL E. GUTIERREZ AND ENRIQUE H. GUTIERREZ.

2. INTER ALIA, THE SEC AFFIDAVIT MAKES FOLLOWING ARGUMENTS WHICH MENTION COSTA RICAN PERSONALITIES (TEXT OF CONFIDENTIAL

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FOLLOWING SHOULD BE DRAWN FROM, NOT READ IN ENTIRETY, AND

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COPY SHOULD NOT BE LEFT.) "MCALPIN, NEW PROVIDENCE AND OTHERS USED THIS OPPORTUNITY TO ELIMINATE THE VITAL OFFICE OF INDEPENDENT TRUSTEE THROUGH THE SHAM APPOINTMENT OF SION PLAZA, S.A. ("SION") ON OR ABOUT MAY 31, 1971, WHICH WAS ALSO REMOVED SHORTLY THEREAFTER AS A PRELUDE TO THE

CLOSE-ENDING OF THE CAPITAL GROWTH COMPANIES. AS SHOWN BY EXHIBIT "G" ANNEXED HERETO, THE APPOINTMENT OF SION WAS ACCOMPLISHED THROUGH THE ASSISTANCE OF JOSE FIGUERES, THE THEN PRESIDENT OF COSTA RICA. MCALPIN WAS INTRODUCED TO FIGUERES BY DR. ALBERTO INNOCENTE ALVAREZ, THE UNCLE OF THE GUTIERREZ BROTHERS."

3. PARAS 22-27.

"22. WITH AN EYE TO ESTABLISHING A HAVEN IN COSTA RICA, MCALPIN, NEW PROVIDENCE AND OTHERS ON OR ABOUT SEPTEMBER 30, 1968, CAUSED THE CAPITAL GROWTH COMPANIES TO INVEST 2 MILLION DOLLARS IN CASH IN A NEWLY-FORMED COSTA RICAN SHELL CORPORATION, SOCIEDAD AGRICOLA INDUSTRIAL SAN CRISTOBAL, S.A. ("SAN CRISTOBAL"), WHOSE SHARES WERE NOT PUBLICLY TRADED. FOR ITS INVESTMENT, THE CAPITAL GROWTH COMPANIES RECEIVED FIFTY PERCENT OF THE COMMON SHARES OF SAN CRISTOBAL FOR A TOTAL EQUITY INTEREST OF FORTY PER-CENT.

"23. THEIR CO-VENTURER, A COSTA RICAN LIMITED PARTNERSHIP OF THE SAME NAME (SOCIEDAD AGRICOLA INDUSTRIAL SAN CRISTOBAL, LTD.) OWNED AND CONTROLLED BY THE FAMILY OF JOSE FIGUERES, WHO WAS AT THE TIME THE FORMER PRESIDENT OF COSTA RICA AND A CANDIDATE FOR RE-ELECTION TO THAT OFFICE, CONTRIBUTED TO SAN CRISTOBAL ITS NET ASSETS HAV-ING A NEGATIVE BOOK VALUE OF 157 THOUSAND DOLLARS WHICH WERE RECORDED ON THE BOOKS OF THE NEW CORPORATION AT 3,000,000 DOLLARS. FOR ITS CONTRIBUTION, IT RECEIVED THE REMAINING FIFTY PERCENT OF THE COMMON SHARES AND ALL OF THE PREFERRED SHARES, FOR A CONTROLLING EQUITY INTEREST OF SIXTY PERCENT.

"24. ALVAREZ IS A DIRECTOR OF SAN CRISTOBAL AND AN CONFIDENTIAL

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ADVISOR OF FIGUERES. ALVAREZ APPROACHED MCALPIN REGARD-ING THE POSSIBLE INVESTMENT BY MCALPIN IN SAN CRISTOBAL.

"25. THE INVESTMENT OF THE CAPITAL GROWTH COMPANIES DE-PARTED FROM THE KINDS OF INVESTMENTS PREVIOUSLY MADE BY SAID COMPANIES IN PUBLICLY-TRADED SECURITIES, AND WAS CONTRARY TO THE REPRESENTATIONS AND RESTRICTIONS CONTAINED IN AMONG OTHER THINGS, THE PROSPECTUSES OF SAID COMPANIES.

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"26. THEREAFTER, IN OR ABOUT JULY 1972, CONCURRENT WITH AN INVESTMENT IN SAN CRISTOBAL OF 2,150,000 DOLLARS BY IIT, AN INTERNATIONAL INVESTMENT TRUST ("IIT"), A MUTUAL FUND CONTROLLED BY ROBERT L. VESCO ("VESCO") AND OTHERS,THE CAPITAL GROWTH COMPANIES RESOLD 500,000 OF

THEIR SHARES TO SAN CRISTOBAL FOR A 500,000 DOLLARS UN-SECURED PROMISSORY NOTE NOT PAYABLE UNTIL JULY 1977. IIT RECEIVED A 7 PERCENT UNSECURED PROMISSORY NOTE DUE JULY 30, 1977 IN THE AMOUNT OF THEIR INVESTMENT AND WARRANTS TO PURCHASE 500,000 SHARES OF THE COMMON STOCK OF SAN CRISTOBAL AT VARIOUS PRICE RANGES COMMENCING AT A MINIMUM OF 1 DOLLAR PER SHARE.

"27. THOSE IN CONTROL OF SAN CRISTOBAL HAVE FAILED TO PUBLISH ADEQUATE AND ACCURATE FINANCIAL INFORMATION ON SAN CRISTOBAL.

4. "29. OF THE 2,005,000 DOLLARS RECEIVED BY EHG ON THE TRANSACTION, AT LEAST 900,000 DOLLARS WAS CONTEMPORAN-EOUSLY DISBURSED BY EHG IN THE FOLLOWING MANNER: 400,000 DOLLARS AS A LOAN TO NEW PROVIDENCE; 100,000 DOLLARS AS A "BROKERAGE COMMISSION, TO NEW PROVIDENCE; AND 400,000 DOLLARS FOR THE PURCHASE OF THE BONDS OF THE NATIONAL LIBERATION PARTY OF COSTA RICA. IN ADDITION, EHG TRANSFERRED 10,000 OF ITS SHARES TO ALVAREZ, THE UNCLE OF THE GUTIERREZ BROTHERS, WHO FIRST INTRODUCED THEM TO MCALPIN."

5. SEVERAL PARAGRAPHS TRACE THE INVOLVEMENT OF INNOCENTE ALVAREZ, ROBERT VESCO, ENRIQUE AND ARIEL GUTIERREZ AND CLOVIS MCALPIN IN A TRANSACTION WHICH HAS RESULTED IN A CONFIDENTIAL

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MISSING 300,000 DOLLARS.

6."37. ON OR ABOUT SEPTEMBER 30, 1970, THE REAL ESTATE FUND PURCHASED ALL THE SHARES OF HACIENDA CAFETALERA SANTA ELENA LTDA. ("SANTA ELENA"), (WHICH HAD A NET BOOK VALUE OF 976,149 DOLLARS) FROM SAN CRISTOBAL FOR 3,950,000 DOLLARS DEBENTURES OF THE REAL ESTATE FUND. (THE CAPITAL GROWTH COMPANIES HAD AT THAT TIME A 40 PERCENT EQUITY INTEREST IN SAN CRISTOBAL.) THROUGH A SERIES OF MACHINATIONS, THE CAPITAL GROWTH COMPANIES ENDED UP PAYING 2,000,000 DOLLARS CASH FOR THE SANTA ELENA SHARES

"EXHIBITS" AS MENTIONED IN PARA. 2 GENERALLY REFER TO AFFADAVITS OF WITNESSES. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, GOVERNMENT REFORM, CORRUPTION, DIPLOMATIC DISCUSSIONS, PERSONNEL APPOINTMENTS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 AUG 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE192370
Document Source: CORE
Document Unique ID: 00
Drafter: JGSULLIVAN:HLB
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740241-1009
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974081/aaaaaagw.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: A) SAN JOSE 0493, B) SAN JOSE 0508
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by boyleja>; APPROVED <05 MAR 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ODUBER BRIEFING ON VESCO
TAGS: PFOR, OVIP, CS, US, SEC, (ODUBER, DANIEL), (VESCO, ROBERT)
To: SAN JOSE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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